

Message Text

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ACTION EUR-12

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E.O. 11652: N/A

TAGS: ENRG, EFIN, EEC

SUBJECT: CIEC RAW MATERIALS COMMISSION: EC PREPARES POSITION
ON THE IRB AND OTHER INVESTMENT ISSUES

REF: (A) EC BRUSSELS 9423, (B) EC BRUSSELS 9335

1. SUMMARY: AFTER CONSIDERING AN EC COMMISSION PROPOSAL TO SUGGEST MODIFICATIONS IN THE US SCHEME FOR AN INTERNATIONAL RESOURCES BANK (IRB), AN EC WORKING GROUP CONSIDERING CIEC ISSUES DECIDED NOT TO PROPOSE ANY CHANGES TO THE IRB SCHEME AT THIS TIME. OUR SOURCES SAY THE MEMBER STATES COULD NOT REACH A COMMON POSITION ON THE HANDLING OF THE IRB AT CIEC. THE EC GROUP CONSEQUENTLY DECIDED TO AWAIT THE REACTION OF THE G-19 TO THE US SCHEME BEFORE TAKING A POSITION. THE EC, HOWEVER, CONTINUES TO SUPPORT THE CONCEPT OF THE IRB AND, WITH MODIFICATIONS, IS PREPARED TO SUPPORT IT. END SUMMARY.

2. THE EC COMMISSION SUBMITTED TO ANA EC COUNCIL WORKING GROUP SEVERAL PROPOSED CHANGES TO THE US SCHEME FOR AN IRB. (THE MISSION HAS A COPY OF THIS PAPER WHICH IT IS SENDING TO STATE/ EB -WENDT, STATE/RPE - MCLEAN AND OECD PARIS - LEVINE.)

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THE COMMISSION NOTES THAT IT IS IN THE EC'S INTEREST TO PRO-

MOTE GREATER SECURITY FOR PRIVATE INVESTMENT AND THE EC SHOULD CONSEQUENTLY TAKE A POSITIVE VIEW TOWARD THE IRB PROPOSAL. HOWEVER, IN ITS CURRENT FORM, THE CHANCES OF ITS ADOPTION SEEM SLIM. THE COMMISSION SUGGESTS GIVING THE PROPOSAL BETTER BALANCE BY ADDING NEW FEATURES.

3. THE COMMISSION SUGGESTS THAT THE IRB NEEDS TO FUNCTION INDEPENDENTLY AND IMPARTIALLY. TO ACCOMPLISH THIS, THE COMMISSION PROPOSES THAT THE INVESTORS' OBLIGATIONS SHOULD BE AS PRECISE AS THE HOST LDC'S OBLIGATIONS. THE IRB SHOULD ENSURE THAT THESE OBLIGATIONS ARE FULFILLED. THE TERMS FOR THE INVESTMENT GUARANTEES SHOULD BE SPECIFIC, AND THE IRB SHOULD PRIMARILY PROMOTE JOINT VENTURES. THE LDCS SHOULD ALSO BE SUITABLY REPRESENTED ON THE BANK'S MANAGEMENT AND SUPERVISORY BOARDS.

4. THE COMMISSION SUGGESTS THAT THE IRB'S OPERATIONS SHOULD NOT BE LIMITED SOELY TO THE FIRST STAGES OF THE MINING AND ENERGY SECTORS. ACCORDING TO THE PAPER, THE LDCS WANT TO EXTEND THE IRB SCOPE TO THE INITIAL PROCESSING STAGE AND THEN, SEPT BY STEP, TO STAGES WHICH FOLLOW PROCESSING OF MINERAL AND AGRICULTURAL RAW MATERIALS. THE COMMISSION CONCLUDES THAT THE IRB SCOPE MIGHT BE EXTENDED ALONG THESE LINES, BUT FURTHER CONSIDERATION IS NECESSARY BEFORE EXTENDING ITS SCOPE TO MINERAL AND ENERGY EXPLORATION.

5. REGARDING THE FINANCIAL CONSEQUENCES OF THE IRB, THE COMMISSION ESTIMATES THAT IRB GUARANTEES SHOULD AMOUNT TO SEVERAL BILLION DOLLARS IF THE BANK IS TO HAVE A GENUINE IMPACT. NO FINANCIAL COMMITMENT, HOWEVER, WOULD BE NECESSARY BEFORE 1982 BECAUSE IT WOULD TAKE AT LEAST FOUR OR FIVE YEARS TO ORGANIZE THE IRB. IN ADDITIO, THE COMMISSION NOTES THAT THE IRB WOULD REDUCE OR ELIMINATE THE NEED FOR MEMBER STATES TO EXTEND POLITICAL RISK INSURANCE.

6. THE EC WORKING GROUP REACHED NO DECISION ON THE COMMISSION PROPOSALS. COMMISSION AND PERMDEL SOURCES VARY SOMEWHAT IN THEIR DESCRIPTION OF THE GROUP'S CONSLUSIONS. DUTCH PERMDEL OFFICIAL JACOBVITS, WHO CHAIRED THE DISCUSSIONS,SUMS UP MEMBER STATE REACTIONS AS FOLLOWS: MEMBER STATES SUPPORT THE CONCEPT LIMITED OFFICIAL USE

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OF THE IRB, BUT AS A US INITIATIVE, THEY BELIEVE THE UNITED STATES SHOULD TAKE THE LEAD IN EXPLAINING ITS PURPOSE TO THE G-19. THE EC WILL DECIDE ON ITS POSTITION TOWARD THE IRB AT CIEC AFTER IT HEARS THE DEBATE. THE EC DOUBTS THAT THE G-19 WILL SUPPORT THE PROPOSAL IN ITS CURRENT FORM. IF THIS IS THE CASE, THE EC CURRENTLY DOES NOT PLAN TO MAKE A SPECIAL EFFORT AT CIEC TO OBTAIN A CONSENSUS FAVORING THE ESTABLISHMENT OF THE IRB. AS SUGGESTED BY THE COMMISSION, THE EC WOULD LIKE

TO ADD NEW FEATURES SUCH AS BROADENING ITS SCOPE, MAKING IT INDEPENDENT AND NEUTRAL, AND INCLUDING LDCS IN ITS MANAGEMENT. OTHER SOURCES GENERALLY CONFIRM THIS SUMMATION, BUT ADD THAT THERE ARE NUANCES IN EACH MEMBER STATE'S VIEWS. THE EC LOOKS FORWARD TO MEETING WITH US OFFICIALS AT CIEC TO GAIN A BETTER UNDERSTANDING REGARDING HOW THE UNITED STATES WANT TO PROCEED WITH THE CIEC DISCUSSION OF THE IRB.

7. THE MISSION ALSO HAS THE COMMISSION STAFF PAPER OUTLINING THE PROPOSED EC POSITION AT CIEC ON INVESTMENT ISSUES. (COPIES HAVE BEEN SENT TO THE SAME OFFICIALS AS LISTED ABOVE.) THIS PAPER SEEMS TO BE A SUMMATION OF PAST EC STATEMENTS; THERE ARE NO NEW PROPOSALS. MORRIS

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